

By PwC Deutschland | 22 May 2018

# Statutory interest rate levied on late payment of taxes no longer up-to-date?

**The Supreme Tax Court has serious doubts as to the appropriateness of the current fixed rate of interest on late payments which is levied at a rate of 6 per cent per annum. This is especially relevant when considering the generally low interest rates level which have been charged in the market for some considerable time.**

## Interest accrual on tax deficiencies and tax refunds

Simple interest at a rate of 6 per cent per annum or a half per cent for every month is levied on tax amounts paid late and also in cases where a suspension of payment was granted initially and the amounts later become due for payment. The interest period does not start until 15 months after the end of the year of assessment.

After summarily examining the situation the Supreme Tax Court expressed serious doubts as to whether the current rate, which has remained unchanged since 1961, conforms to the German constitution. At least from 2015 the court sees no conformity to the principle of equality and therefore has granted the applicant suspension of payment pending a final decision in the main case. In its opinion the interest rate is far from reflecting the economic situation, since the current low interest rates have become established in the market for some time. The legislature must from time to time review the appropriateness of the rate of interest on late payments, especially against a background of continuing low interest rates over a long period of time. The unrealistic assessment of the interest rate is therefore similar to a surcharge on tax assessments without any legal justification. The level of interest on late payments lacks justification.

### Source

Supreme Tax Court, resolution IX B 21/18 of 25 April 2018 published on 14 May 2018

### Keywords

Interest rates, late payment interest, statutory interest rate, suspension of payment